

EXHIBIT N

**DECLARATION OF ANN M. O'LEARY IN SUPPORT OF DEFENDANTS'
OPPOSITION TO MOTION FOR PRELIMINARY INJUNCTION**

Pusher of 'soft money' a bonanza for S.F. mayor

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Fourth of a five-part series)

For a Cleveland developer with big plans in San Francisco, it was a matter of covering all the bases.

In 1999, while Forest City Enterprises was angling for a lucrative development deal, 13 company executives donated \$500 each to Mayor Willie Brown's re-election campaign, the most they were allowed to give under the city's campaign-finance law.

Then Forest City pumped \$50,000 in unregulated "soft money" into a political action committee that was electioneering for Brown. Public records show the company also donated \$10,000 to help fund Brown's 1999 Summit for Women, a civic event that provided the mayor a showcase during the campaign.

A year later, with Brown re-elected, Forest City's plan to develop the old Emporium department store into a downtown hotel and shopping complex featuring Bloomingdale's got its own financial boost: a \$27 million subsidy from the mayor-appointed Redevelopment Agency board.

To reformers, Forest City's multipronged approach to political donations signals a troubling trend that arrived in the city with Mayor Brown.

They say that since Brown took office, he has increasingly circumvented the city's tough campaign contribution limit laws, especially through a gaping legal loophole engineered by his allies that allowed unregulated "soft money" donations to independent political action committees.

More and more, they say, Brown has financed his political machine with big donations from developers and corporations that lobby City Hall for contracts, land deals and regulatory decisions.

Critics say the surge in unregulated donations has undermined city laws enacted to restrict the influence of big money in San Francisco politics.

Brown, a world-class fund-raiser since his days as Assembly speaker, masterminded this "historic" change in how local elections are financed, says Charles Marsteller, former head of the San Francisco's Common Cause.

"I think there has been a clear attempt to circumvent limits that were put in place by voters," he says. "I think businesses were told -- either explicitly or implicitly -- that giving money was the way to curry favor at City Hall."

Brown refused to be interviewed for this story. His supporters say he has behaved ethically and that concerns about the rise in soft money are overblown.

'San Francisco imposes some of the strictest campaign finance rules in the nation, and Mayor Brown has abided by those rule without exception," Brown's lawyer, Frederick Furth, wrote in a letter to The Chronicle.

'In fact, his track record on compliance with campaign finance laws is perhaps the most impressive of all local officials," he wrote.

Nevertheless, the numbers, as reflected in a Common Cause study, are startling.

In Brown's 1995 race against then-Mayor Frank Jordan, he raised \$2.7 million in "hard money," donations subject to the city's legal limit of \$500 in a general election and \$250 more in the runoff. Independent political action committees set up by business organizations and political groups -- the spearhead of the soft-money revolution that was to come -- took in only \$21, 000.

For his 1999 re-election campaign, Brown raised \$3 million in hard money, \$300,000 more than in 1995. But his time, independent committees raised \$3.2 million in soft money in contributions of up to \$95,000 each. Much of the money came from big corporate donors that frequently do business at City Hall, public records show -- and most of it was spent to support the mayor.

Last year, in what proved a futile effort to elect Brown's slate of candidates to the Board of Supervisors, soft-money committees were active again, tapping many of the same donors for \$1.6 million in soft money, according to an analysis by Marsteller.

MONEY TO MAYORAL NONPROFITS

Meanwhile, some of the same developers, city contractors and downtown corporations that have bankrolled the mayor's soft-money committees also made big donations to four mayoral nonprofit corporations, more than \$2.4 million during Brown's first term, records show.

The money paid for events in which he had a starring role, including a meeting of the U.S. Conference of Mayors and a series of mayoral policy summits and foreign trade missions.

Brown's use of nonprofits to tap corporate donors represents a new -- and troubling -- trend in municipal politics, says Craig Holman, a campaign-finance expert at New York University's Brennan Center for Justice, a good-government think tank.

Brown is the first local leader to use the tool of nonprofits," Holman says. It's a means of "evading campaign finance reform laws," he says.

Rich DeLeon, a San Francisco State University political science professor and author of a book on city politics, says he's not surprised Brown is breaking new ground.

Money is honey to Willie Brown," DeLeon says. "He was the chief gatherer and dispenser of it in Sacramento. It is a natural medium for him to work in."

For decades, San Francisco voters have backed measures to limit the size of campaign donations. Under a 1986

ballot measure, a donor can give no more than \$500 to a candidate per election. If there's a runoff, another donation of \$250 is permitted.

For years, the cap applied to all donations, including those to independent political action committees, or PACs, the usual repositories of soft money. But in August 1999, as Brown ramped up his re-election campaign, a PAC allied with the mayor attacked the donation cap on soft money.

In a federal court suit, San Franciscans for Sensible Government, a downtown business group, said the cap on donations to independent committees violated free speech rights.

U.S. District Judge Claudia Wilken agreed, and on Sept. 8, 1999, the soft-money floodgates opened for big donors, including firms otherwise prohibited from giving to candidates because they were negotiating city contracts.

Over the next three months, San Franciscans for Sensible Government alone raised \$850,000 to re-elect Brown. The county Democratic Central Committee, which also backed Brown, raised \$400,000, and 20 other committees raked in about \$2 million. Much of the cash was spent in support of the mayor's re-election.

The donor lists, as compiled by The Chronicle from public records, are studded with the names of wealthy individuals and big corporations with a financial stake in decisions at City Hall.

San Francisco's biggest soft money donor is Donald Fisher, chairman of the Gap clothing stores. Since 1999, he, his company and an investment firm with which he is associated have pumped \$371,000 into committees backing Brown and his candidates.

Fisher is a big player in city and state politics, but his company also does business at City Hall. In 1997, it won a Redevelopment Agency deal to acquire land at a discount -- estimated at up to \$18 million -- to build a new headquarters on the waterfront.

The heads of two big investment houses headquartered in the city are also near the top of the soft-money donor list. Charles Schwab gave \$108,000 to committees.

Warren Hellman, chairman of Hellman & Friedman, gave \$95,000. In 1999, the city's retirement system put \$30 million into investment partnerships marketed by the firm.

The city's two biggest banks also were big donors. Wells Fargo contributed \$74,000, while Bank of America gave \$55,000. The banks had lobbied the city against a proposed ban on ATM fees.

BofA also had faced intense scrutiny over its 1998 merger with North Carolina's NationsBank, in which BofA's corporate headquarters moved to Charlotte, N.C., and 1,800 employees were fired.

DEVELOPERS' PRESENCE

Other contributors to pro-Brown committees came from the real estate industry, which looks to City Hall for permits and public land leases and subsidies.

reports show developer Stein Kingsley Stein, or SKS, gave \$95,000 to the pro-Brown .Com Good Government committee, which produced campaign mailers endorsing the mayor in 1999. The firm also gave \$5,000 to the Democratic Central Committee.

At the time, SKS was seeking city permits -- later granted -- to build its controversial 159,000-square foot "Bryant square" dot-com development in the Mission District.

Democratic party fund-raiser and downtown real estate magnate Walter Shorenstein donated \$48,700 through his company and a political committee he controls.

Yet another real estate industry force, the Residential Builders Association, builders of live-work lofts, and its resident, Joe O'Donoghue, pumped at least \$32,000 into San Franciscans for Sensible Government and another pro-Brown committee, the Alice B. Toklas Independent Expenditure PAC, reports show.

Until other donations came from firms that have sought city contracts or permits -- businesses whose bottom lines are dictated in part by city decisions.

Among them: Montgomery Watson Inc., a Pasadena engineering firm that gave \$49,500. In 1998, the company won a \$5.2 million contract from the city Public Utilities Commission to upgrade a water treatment plant. A partner on the project, AGS Inc., donated another \$1,000.

Overall, the soft-money bonanza put the budget for Brown's re-election at more than \$6.3 million, giving the mayor a cash advantage of nearly 3-2 over the rest of the field.

The following year, the soft-money committees cranked up again, this time raising \$1.6 million to support Brown's supervisor candidates. But with the city returning to district elections, they had to spread the money over seven separate races and Brown lost his board majority.

Others have tried to staunch the soft-money flow. In November, they passed Proposition O, written by the Ethics Commission, which would reimpose limits on donations to PACs.

The measure faces legal challenge because it conflicts with Judge Wilkins' ruling.

NEW ROLE FOR NONPROFITS

Brown also raised millions via donations to nonprofit corporations traditionally controlled by the city's mayors.

For years, mayors had access to two nonprofits, the Host Committee and the Special Events Committee, and used donations -- typically, a few hundred thousand dollars per year -- to pay for entertaining visiting dignitaries.

Brown cranked up fund raising by those nonprofits, activated two others and widely expanded their role. Increasingly, the money was spent on events in which Brown had a starring role, from conferences to foreign trade junkets.

Critics, including then-state Sen. Quentin Kopp, now a judge, complained that the nonprofits had become political slush funds. They also complained because the law didn't require Brown to disclose the names of donors.

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Case 3:07-cv-03199-JSW Document 20-15 Filed 08/27/2007 Page 6 of 10 Page 5 of 9
ut in 1998, the Legislature amended the law to require nonprofits linked to politicians to disclose donors who
ave \$5,000 or more. Brown's disclosure report included the names of more than 100 developers, city contractors
nd other firms with a stake in city business who had combined to give \$2.4 million.

ome of the same big donors who contributed to the soft money committees also gave large sums to the
onprofits: Bank of America (\$225,000); Wells Fargo (\$100,000); and the Gap (\$30,000).

ut other City Hall players also emerged.

elecom giant AT&T pumped \$270,000 into the nonprofits. During Brown's first term, it bought TCI, which held
an Francisco's cable television monopoly, and persuaded the city to give it a monopoly on providing cable
internet access as well.

acific Telesis and subsidiary Pacific Bell, which had lobbied the city regarding new rules for placing cell-phone
transmitters in the city, donated \$110,000.

outhern California supermarket magnate Ron Burkle gave \$100,000; he provided financial backing to a
ompany chosen by the mayor's office to develop a marina at Treasure Island.

nd Pacific Gas and Electric gave \$105,000. The utility had sought city approval to close a power plant in
unters Point and withstood sharp criticism and an investigation after a huge blackout hit San Francisco in 1998.
t has lobbied against proposals to municipalize utility services.

ONE COMPANY'S JOURNEY

ix-figure donations don't assure a corporation will get what it wants from City Hall. But major donors have often
rospered, as the case of Forest City illustrates.

he firm's co-chairman, Albert Ratner, is brother-in-law to Natalie Berg, former chair of San Francisco's
emocratic Central Committee. It emerged as a player in city development politics in 1998, when it struck a deal
o perform a \$450 million renovation of the Emporium on Market Street to house a new Bloomingdale's.

he project, which was to include a 300-foot hotel tower, needed multiple city permits, and the developers
wanted a multimillion dollar city subsidy as well.

at the same time, Forest City also was competing for lucrative development rights to the Hunters Point naval
hipyard.

hen election year 1999 rolled around, records show, the firm began donating: \$10,000 in soft money to the
emocratic Central Committee; \$10,000 to Brown's women's summit; \$6,700 from Forest City executives to
rown's campaign and \$50,000 to the pro-Brown San Franciscans for Sensible Government.

at Hunters Point, Forest City lost out to Lennar Homes. The Florida firm had hired former San Bernardino
lawmaker Terry Goggin, an old Assembly ally of Mayor Brown, as its lawyer, and Hunters Point trucker Charlie
Walker, the mayor's friend, as jobs broker.

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ut things have gone much better for Forest City on the Bloomingdale's project. It won exemptions from height
mits, architectural preservation laws and other zoning requirements, and was permitted to close part of Jessie
treet between Fourth and Fifth.

inally, in September 2000, the Board of Supervisors, still dominated by Brown allies, approved a \$27 million
ubsidy for the project. Forest City calls the agreement a loan to be paid back from sharing in project earnings
nce it hits certain profit projections, estimated to occur in 2023.

. month later, Forest City gave \$50,000 to San Franciscans for Sensible Government's campaign to elect
upervisors allied with the mayor. Some were incumbents who voted for the agreement.

he series

UNDAY: Willie Brown Inc: How "juice" with the mayor has been the key to winning city contracts, land deals,
avorable regulatory rulings and jobs.

4ONDAY: A PATRONAGE ARMY: Hundreds of special assistants including the mayor's political operatives,
ven ex-girlfriends are on the city payroll.

ESTERDAY: Insider Deals: How business interests with influence with the mayor received city contracts and
velopment deals worth hundreds of millions of dollars.

ODAY: Soft Money: Corporations doing business with City Hall gave millions in unregulated campaign
ontributions to the mayor and his allies.

OMORROW: Business As Usual: Despite talk of reform at City Hall, little has changed.

obby money

ince Willie Brown took office, spending for City Hall lobbying has soared,

rom \$193,000 in the first quarter of 1996 to a whopping \$1.25 million in the fourth quarter of 2000. Total
pending on lobbying reached \$16,297,236 since he took office. .

he \$100,000 club

Many corporations with business at City Hall have donated to "soft money" political action committees that
upported Mayor Willie Brown and his candidates. Many also have given to nonprofits to fund civic events
organized by the mayor. Here, from public records, are the biggest donors: .

he GAP and firms associated with chairman Donald Fisher

\$401,778

- Soft money: \$371,778 to four PACs, including San Franciscans for Sensible Government.

- Mayoral nonprofits: \$30,000 for three events, including the 1997 U.S. Conference of Mayors.

- Issues: In 1998, the clothing chain won a redevelopment deal to build new headquarters on the city's waterfront. .

AT&T, Telecom

\$303,414

- Soft money: \$33,414, most of it to the Committee on Jobs PAC.

- Nonprofits: \$170,000 to the Conference of Mayors and \$100,000 to Brown's 1999 Summit for Women.

- Issues: AT&T obtained San Francisco's cable TV monopoly in 1998 when it acquired TCI. It later won a city monopoly to provide cable Internet access. .

Bank of America

\$267,385

- Soft money: \$42,385, most to the Committee on Jobs PAC.

- Nonprofits: \$225,000 to the mayors conference and 1999 women's summit.

- Issues: In 1998, BofA settled a city attorney's lawsuit charging fraud in its handling of municipal bond issues. It faced intense scrutiny over its 1998 merger with NationsBank and headquarters move to Charlotte, N.C. .

Wells Fargo Bank

\$182,880

- Soft money: \$82,880 in soft money, most to the Committee on Jobs PAC.

- Nonprofits: \$100,000 to the mayors conference and 1999 women's summit; undisclosed amounts for a Brown mall business forum, a 1999 Housing Authority event and a mayoral trade mission to Shanghai.

- Issues: With other banks, Wells Fargo lobbied against a proposed city ban on ATM fees. .

Wells Fargo Bank

\$132,318

- Soft money: \$27,318 in soft money, most to the Committee on Jobs PAC.

- Nonprofits: \$105,000 to mayoral events; undisclosed amounts for a mayoral "multimedia summit" and a trade mission to Mexico.

- Issues: The utility was investigated by the city for a 1998 blackout. It lobbied against proposals to municipalize utility service and for city permission to shut down its Hunters Point power plant. .

iks

\$126,000

- Soft money: \$126,000, including \$95,000 to the dot-com PAC.

- Nonprofits: Undisclosed amount to 1999 women's summit.

- Issues: Developer won city permits to build "Bryant Square" commercial development in the Mission District. .

Charles Schwab

\$120,176

- Soft money: \$115,176, including \$50,000 to San Franciscans for Sensible Government PAC.

- Nonprofits: \$5,000 to mayor's AIDS Summit; undisclosed amounts for a HUD event and the 1998 women's summit.

- Issues: The investment house was co-manager on an \$81 million airport bond issue in 1999. .

Forest City Enterprises

\$110,000

- Soft money: \$100,000 to San Franciscans for Sensible Government PAC.

- Nonprofits: \$10,000 to 1999 women's summit.

- Issues: Developer won \$27 million city subsidy for downtown Bloomingdale's project. .

Pacific Telesis/Pacific Bell

\$103,587

- Soft money: \$3,587.00 to Committee on Jobs PAC.

- Nonprofits: Gave \$100,000 to mayors conference, unspecified amounts to six other events, including trade mission to Hanoi.

- Issues: Lobbied the city on pay telephone rates and on proposed 415 area code overlay. Sought permits for cell phone transmitters. .

Ralphs Grocery Co.

Nonprofits: Then-CEO Ron Burkle gave \$100,000 to underwrite the national mayors conference.

Issues: Burkle's Treasure Island Enterprises won contract to operate marina on the island.

Source: Campaign finance reports; mayor's disclosure statements; programs for mayoral summits and trips

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<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2001/05/02/MN48368.DTL>

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